STOCKS		
DSEX	▲ 0.83%	6,535.87
CSCX	▲ 0.82%	11,411.96

COMMODITIES		
Gold ▲	$1,811.81	(per ounce)
Oil ▲	$71.47	(per barrel)

ASIAN MARKETS		
MUMBAI	▲ 1.65%	53,823.36
TOKYO	▼ 0.50%	27,641.83
SINGAPORE	▼ 0.38%	3,149.25
SHANGHAI	▼ 0.47%	3,447.99

CURRENCIES — STANDARD CHARTERED BANK

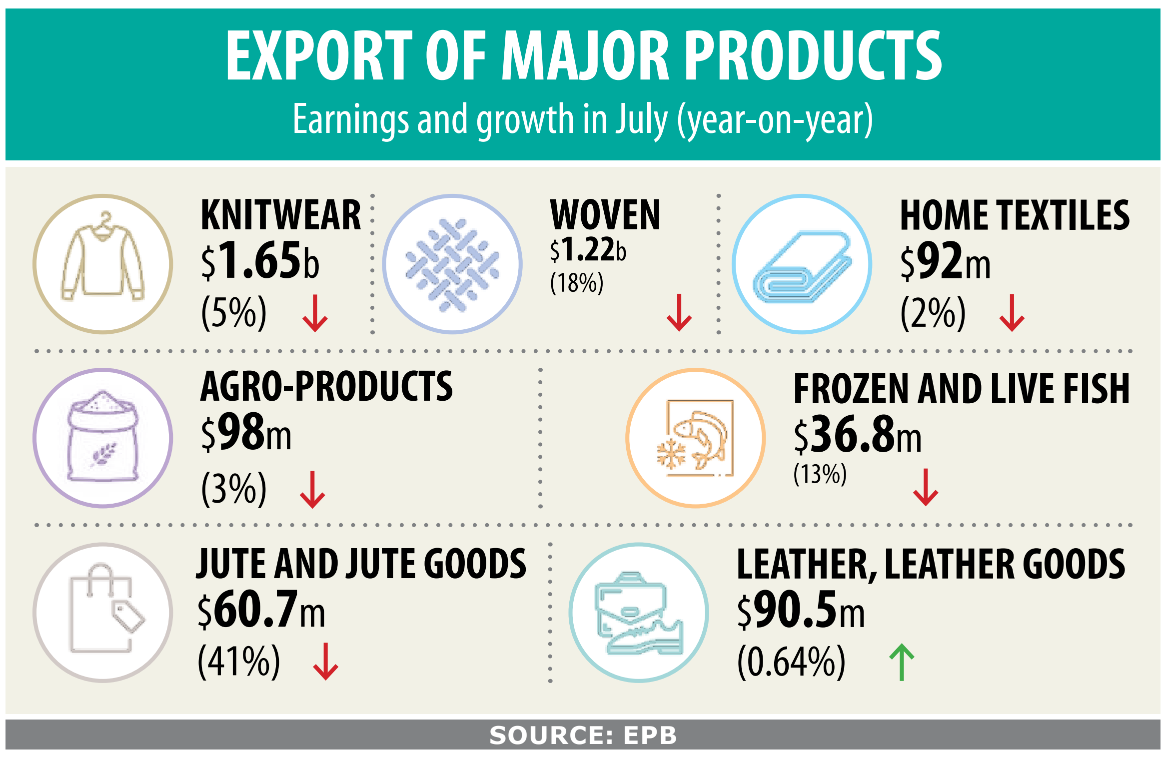
	USD	EUR	GBP	CNY
BUY TK	83.95	98.62	115.73	12.75
SELL TK	84.95	102.42	119.53	13.41

Star BUSINESS

DHAKA WEDNESDAY AUGUST 4, 2021, *SRABAN 20, 1428 BS* ● starbusiness@thedailystar.net

Exports slip 11pc in July

Sohel Parvez



Exports declined in July as reduced working days for Eid-ul-Azha and coronavirus containment measures affected the production and shipment of most of the items, including clothing, the main foreign currency earner.

Export-oriented factories were shut for 13 days because of the Eid festival and the strict nationwide lockdown in the first month of the fiscal year.

After the three-day festival, the government enforced the curb on movement since July 23 to rein in the soaring cases of infections from the deadly disease.

Export-oriented industries, however, were allowed to reopen from August 1.

July brought $3.47 billion in export receipts, down 11 per cent year-on-year, data from the Export Promotion Bureau showed.

Shipment of apparel, which accounted for 83 per cent of the total earnings in the month, dropped. Knitwear and woven items declined 11 per cent year-on-year to $2.88 billion combined from $3.24 billion a year ago.

Exporters say the dip is temporary, and the shipment would pick up from August as they have enough orders from retailers in the European and American markets, the leading destination of Bangladesh's readymade garments.

"We expect a growth from August onward unless there is a lockdown," said Md Shahidullah Azim, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

"We have a good flow of orders. And our total exports have already crossed Vietnam's in the first five months of 2021."

Vietnam raced past Bangladesh to be the second-largest apparel exporter globally in 2020 as the Southeast Asian country managed to keep the coronavirus pandemic in control and allowed factories to operate.

In July, woven exports from Bangladesh declined 18 per cent year-on-year. Knitwear shipment decreased 5 per cent.

"There is nothing to worry about," said Md Fazlul Hoque, managing director of Plummy Fashions Ltd, a green knitwear manufacturer.

He said Bangladesh shipped clothing items worth $100 million daily, and the exports were affected because of the lockdown.

Hoque, also a former president of the Bangladesh Knitwear Manufacturers and Exporters Association, said demand for woven garments fell as people mostly stayed indoors in the export markets because of the pandemic.

July was also a gloomy month for jute and jute goods makers and exporters, who fetched $1.16 billion in the last fiscal year, the highest on record.

READ MORE ON B3

Mop up excess liquidity to curb asset bubble: CPD

Says stimulus packages create avenues for malpractices

Star Business Report

CPD OBSERVATIONS

- CRR should be increased
- Special bond should be offered for remitters
- Stimulus packages create new avenues for malpractices
- Excess liquidity gives a boost to capital market
- Economy faces an uneven recovery

The Bangladesh Bank should raise the cash reserve ratio to mop up excess liquidity from the banking system, said the Centre for Policy Dialogue yesterday as it put forward a set of proposals for the effective implementation of the monetary policy.

Some portions of the excess liquidity, which reached an all-time high of Tk 231,462 crore in June, are being channelled to the unproductive sector due to a lack of room to make investments in the productive sector.

"The central bank should strengthen its monitoring on the surplus fund as it has already created a bubble to some extent in the capital market," the CPD said.

"The central bank should follow a cautious expansionary monetary policy to check the flow of funds to the unproductive sector."

The think-tank came up with the suggestions at a virtual press conference on "MPS FY2021-22: To what extent does the monetary policy meet the needs of the economy?"

In April last year, the BB cut the CRR, which determines the portion of customer deposits that commercial banks must keep as a reserve with the central bank, by 100 basis points to 4 per cent to offset the business slowdown caused by the coronavirus pandemic.

While unveiling the monetary policy for the current fiscal year on Thursday, it kept the rate unchanged.

A higher CRR means banks must hold higher reserves and thus tighten the flow of cash.

"The central bank should also reduce the injection of the reserve money while implementing the stimulus packages," said Fahmida Khatun, executive director of the CPD, while presenting the keynote paper. The think-tank particularly expressed its concern about the implementation of the stimulus packages.

Khatun said the stimulus packages provided through banks had created a new avenue for corruption and malpractices.

"The repayment of loans may become a cause for concern in the coming days."

Mustafizur Rahman, a distinguished fellow of the CPD, echoed Khatun, saying there had been allegations that some portions of stimulus packages had been misused.

"A section of borrowers has misused the loans, ignoring their commitment to investing in the productive sector."

The government and the central bank are implementing 28 stimulus packages involving Tk 131,000 crore, most of which is being channelled by the BB.

READ MORE ON B3

Another privately built jetty comes to Ctg port's aid

Dwaipayan Barua, *Ctg*

Another privately built jetty has come to the aid of the Chattogram port as it allowed the country's largest seaport to use the facility to berth bulk vessels carrying heavy items.

Karnaphuli Ship Builders Ltd completed the construction of the jetty for the ship repairing works of its sister concern, Karnaphuli Dry Dock, in Anwara upazila last month.

A bulk vessel, Giulia-1, carrying 23,000 tonnes of scrap, imported by steel manufacturer BSRM Group, berthed at the jetty on July 28 and started unloading goods.

This was the second jetty of the private dry dock after it built the first one in March this year. The CPA has been using it since March 30.

CPA Chairman M Shahjahan said it gave the permission to Karnaphuli Dry Dock to build the jetties on condition that the port would use them when they were vacant.

"We are now using both jetties. As a result, we have been able to accommodate two additional vessels."

Ships, particularly bulk vessels arriving with scraps for steel industries, have to wait for days at the outer anchorage due to a lack of jetties.

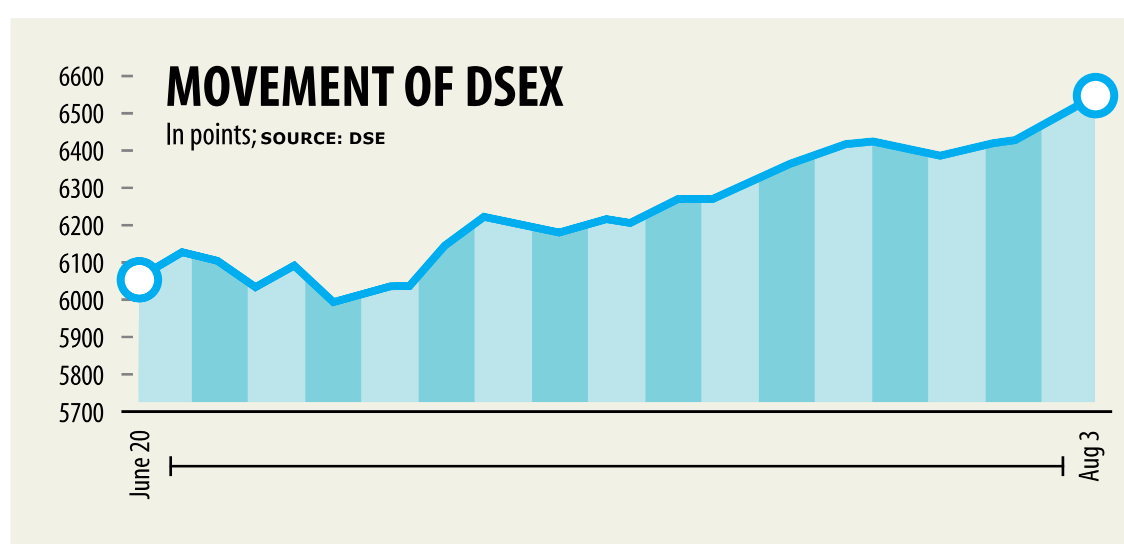
In most cases, ships laden with scraps have to unload all of their cargoes at the outer anchorage with the help of lighter vessels. As a result, importers have to bear additional costs to hire the smaller vessels. The unloading also takes time.

"The two jetties have come as a relief since they are helping us accommodate two bulk vessels with scraps simultaneously," said CPA Director (Traffic) Enamul Karim.

READ MORE ON B3

DSE index hits 6,500 points

Star Business Report



Stocks ended higher yesterday riding on increased demand for banking stocks, with the benchmark index DSEX of the Dhaka Stock Exchange hitting the 6,500-point mark for the first time.

The DSEX edged up 54 points, or 0.83 per cent, to 6,535 points. This is the highest point since the introduction of the index in 2013.

Despite a recent rally of the market, prices of banking stocks are still lucrative, said a stock broker preferring anonymity.

Banks follow better governance practices than many listed companies and they are under the regulation of the central bank too.

So, investors believe their prices are still quite lucrative, he said, adding that price earnings ratio of the sector was also the lowest among all the sectors which indicates that they were at a lower price. Price earnings ratio of the banking sector stood at 7.83 on Monday, according to LankaBangla Securities data.

Paid up capital of the banking sector is the highest among all the sectors so its impact on the index was also high, added the broker.

Of the listed 31 banks, all except one surged yesterday, shows the DSE data. Apart from the DSEX, the DS-30 and market capitalisation of the DSE was also at a historical high yesterday.

The DS-30, the blue-chip stock index, surged 22 points to 2,366 points. Meanwhile, market capitalisation rose 0.68 per cent to Tk 541,562 crore.

Turnover, another important indicator of the market, went up 5.8 per cent to Tk 2,314 crore.

At the DSE, 178 stocks advanced, 170 declined and 27 remained unchanged.

Despite repeated announcements of there being no undisclosed information, which could be one reason for the rise of stock prices, the Paper Processing & Packaging topped the gainers' list, rising 9.94 per cent yesterday.

Stocks of Beximco were traded the most, worth Tk 109 crore, followed by IFIC Bank, Saif Powertec, Orion Pharmaceuticals and Genex Infosys.

Peoples Insurance Company shed the most, falling 8.50 per cent, followed by Prime Insurance Company, Central Insurance Company, Pioneer Insurance Company and Global Heavy Chemicals.

The port city bourse also rose yesterday. The CASPI, the general index of Chittagong Stock Exchange, advanced 155 points, or 0.82 per cent, to 19,014 points.

Among 326 stocks to undergo trade, 165 advanced, 141 dropped, and 20 remained unchanged.

NEWS *in brief*

Govt to launch mobile app for agri-products

Sadai, a mobile application that will enable online sale and purchase of agricultural products, will be launched today.

The Department of Agriculture Marketing (DAM) has developed the app for both farmers and consumers. Agriculture Minister Muhammad Abdur Razzaque is likely to inaugurate the launching ceremony.

Mohammad Yusuf, director general of DAM, said they have developed the app as there was no official online platform of the government for selling and purchasing agricultural products.

"Here both the buyers and sellers can put up advertisements for the purchase or sale of products," he said, adding that this app will be very effective during the pandemic.

Tech investment summit held in US

A weeklong roadshow styled "The rise of Bengal tiger: potential of trade and investment in Bangladesh" was organised in the USA in a bid to promote Bangladesh's economy and the capital market.

Bangladesh Securities and Exchange Commission organised the roadshow, according to a press release.

On the event's final day in California on August 2, local and international delegates joined "US-Bangladesh Tech Investment Summit" to discuss investment opportunities in start-ups and the technology sector of Bangladesh.

Salman F Rahman, private industry and investment affairs adviser to the prime minister, urged non-resident Bangladeshis to invest in the country and take the opportunities presented by the government.

Beacon share price on unusual rise

BEACON Pharmaceuticals Limited
Light for life

Ahsan Habib

A recent unusual price hike of the Beacon Pharmaceuticals stock prompted the company to inform investors on July 28 that it had no undisclosed information that could have instigated the rise.

Despite the message, its stock price rose more than 7 per cent to Tk 198 from Tk 184 that day. The next day it advanced to Tk 203.

In the same way, last Monday it rose 7 per cent to Tk 217. It continued to climb, the latest by 6 per cent yesterday to Tk 230.

Such jumps raised eyebrows of stock market analysts as they believe it was not normal and that behind the scenes there were some people engaged in foul play.

So the regulator should investigate whether there is any malpractice or manipulation.

The company's profits rose in the last two years, so investors purchased its shares. But the price is now overvalued, said a top official of an asset management company.

The drug maker's stocks have risen some 900 per cent in total up until yesterday, considering the fact that it was Tk 23 two years back on August 4 of 2019.

Its profits rose 489 per cent year-on-year to Tk 75 crore in the July 2020 to March 2021 period.

Thanks to the higher sale of medicine during the pandemic, its profit rose in the period. But its stock price rose higher than that of the profit surge, which may create risks for investors, said the asset manager.

Earnings per share (EPS) of peer companies also indicate that the Beacon's price is overvalued, he added.

Bangladesh's leading drug maker Square Pharmaceuticals' EPS was Tk 13.20 in the

READ MORE ON B3

MIRZA SHAKIL

Pineapples are presently aplenty at Jalchhatra, the largest market for the tropical fruit in Tangail's Madhupur upazila. Growers are all too happy with the huge quantities being purchased by buyers from all over. Moreover prices are double that prevailing for the past couple of years. Over 2 lakh tonnes were produced in the country in fiscal 2019-20 , according to Bangladesh Bureau of Statistics. The photo was taken recently.

PUBALI BANK

Safiul Alam Khan Chowdhury, managing director and CEO of Pubali Bank, virtually chaired its countrywide 3rd Virtual Conference 2021 yesterday. Mohammad Ali, additional managing director and chief operating officer, and Zahid Ahsan, Mohammad Esha and Mohammad Shahadat Hossain, deputy managing directors, were present.

Aftab ul Islam, chairman of Asia Pacific General Insurance Company, virtually presided over its 21st annual general meeting yesterday. The company approved 10 per cent cash dividend for 2020. Bidhu Bhuson Chakraborty, chief executive officer, attended the meeting.

ASIA PACIFIC GENERAL INSURANCE

China quietly sets new 'buy Chinese' targets for state firms: US sources

Reuters, *Washington*

China's government quietly issued new procurement guidelines in May that require up to 100% local content on hundreds of items including X-ray machines and magnetic resonance imaging equipment, erecting fresh barriers for foreign suppliers, three US-based sources told Reuters.

Document 551 was issued on May 14 by the Chinese Ministry of Finance and the Ministry of Industry and Information Technology (MIIT), with the title, "Auditing guidelines for government procurement of imported products," said one former US government official, who obtained a copy of the previously unreported 70-page catalog and read portions to Reuters, but requested anonymity.

The former official said that when China joined the World Trade Organization, it agreed not to issue such internal documents. The document also violated the spirit of the January 2020 Phase One trade deal with the United States, the former official said. "They need to reduce barriers, not create new ones."

Sent to Chinese hospitals, companies and other state-owned buyers, the document sets local content requirements of 25 per cent to 100 per cent for 315 items. They include medical equipment, ground-based radar equipment, testing machinery, optical instruments; items used for animal husbandry; seismic instruments, and marine, geological and geophysical equipment, the former official said.

The document has not been publicly released by Beijing.

China's Ministry of Finance and Ministry of Industry and Information Technology did not respond to queries about it.

Some US lawmakers and industry officials are increasingly concerned about Beijing's transparency on trade issues.

The new guidelines affect a wide range of goods, including medical devices, which Beijing agreed to buy more of under the terms of the Phase 1 trade deal. For example, magnetic resonance imaging equipment - a key export for US companies in the past - would face a 100 per cent local content requirements under the new guidelines, the former official said.

US trade experts said China's local content rules differed from planned increases in US "Buy American" thresholds because they were not publicly released, and affect far greater volumes of medical equipment and other goods since China's state-owned enterprises include hospitals and other entities.

China imported some $124 billion in goods from the United States in 2020, much of which was purchased by vast state-owned and government-associated companies that control the education, health, transportation, agriculture and energy sectors.

US medical device exports, made by companies including Johnson & Johnson, GE and Abbott totaled $47.5 billion in 2018, with exports to China valued at $4.5 billion, according to Fitch Solutions data. Chinese imports of such goods fell during the US-China trade war in 2018 and 2019, but rose again after the Phase 1 trade accord was inked.

Doug Barry, spokesman for the US China Business Council, said his group has heard about the document, but has not seen a copy. The group's members who operate in China are reporting new problems in competing for and winning bids there, including areas such as testing equipment and transportation, he said.

REUTERS/FILE

A US dollar banknote featuring American founding father Benjamin Franklin and a China's yuan banknote featuring late Chinese chairman Mao Zedong are seen among US and Chinese flags in this illustration picture.

The council is urging President Joe Biden's administration to complete its review of US-China trade policies and raise its concerns when Biden and Chinese President Xi Jinping meet in October.

Biden's predecessor Donald Trump, as part of his sometimes contentious China trade policy, was a strong advocate of "Buy American" and "America first."

Biden signed a "Buy American" executive order during his first week in office in January aimed at harnessing the vast buying power of the federal government to boost American manufacturing, and last week unveiled new rules about US content levels in goods procured by the government.

The US Trade Representative's office, which is reviewing US-China trade policies, declined to comment on the Chinese document or whether it violates the US-China trade deal.

USTR spokesman Adam Hodge also declined to give any timetable for when USTR will conclude its review.

Asian markets drop as Delta fans recovery concerns

Afp, *Hong Kong*

Asian markets fell on Tuesday while oil held most of the previous day's losses as the impact of the fast-spreading Delta Covid variant on the global recovery fuelled concerns the outlook might not be as rosy as initially hoped.

While corporate earnings continue to impress, trader optimism has taken a knock after a series of below-forecast readings from the world's biggest economies including crucial growth drivers the United States and China.

At the same time, long-running fears that inflation could spike for months to come is fanning talk that central banks will be forced to taper their ultra-loose monetary policies to prevent prices spiralling, taking away a major pillar of the more than year-long rally in equity markets.

"I don't think the market is concerned about Delta as much as it's concerned about how it impacts inflation," Shana Sissel, of Spotlight Asset Group, told Bloomberg Television.

"The longer we have Delta spread globally, the longer the supply chain disruptions will continue.

"In a sign that markets are increasingly on edge over the outlook, the yield on 10-year US Treasuries, a key gauge of growth expectations, fell below 1.2 per cent.

That came after US growth missed expectations and figures showed growth in factory activity slowing.

Meanwhile, Hong Kong and Shanghai continue to be buffeted by uncertainty caused by China's crackdown on the tech, private tuition and property sectors, which has raised worries that officials will target other industries.

The move has also had a limited impact on markets elsewhere, particularly tech firms.After Monday's rally, Asian traders were given a tepid lead from Wall Street, where all three main indexes finished in negative territory.

Hong Kong led losses, falling one percent with tech giant Tencent down eight percent and extending its losing streak to around 20 percent since China announced its crackdown just over a week ago.

News that the city's government was to ease travel restrictions, which could provide a boost to the fragile economy, was met with a shrug. Tokyo, Shanghai, Singapore, Seoul and Manila were also in the red.

India's female labour participation rate falls

Reuters, *New Delhi*

Female labour participation rate in India fell to 16.1 per cent during the July-September 2020 quarter, the lowest among the major economies, a government report said, reflecting the impact of pandemic and a widening job crisis.

The percentage of women in the labour force had fallen to a record low of 15.5 per cent during the April-June 2020 quarter, when India imposed strict lockdown to curb the spread of Covid-19 virus, said the report, released late Monday by the Ministry of Statistics.

According to World Bank estimates, India has one of the lowest female labour force participation rates in the world. Less than a third of women – defined in the report as 15 or older – are working or actively looking for a job.

The female labour participation rate in India had fallen to 20.3 per cent in 2019 from more than 26 per cent in 2005, according to World Bank estimates, compared with 30.5 per cent in neighbouring Bangladesh and 33.7 per cent in Sri Lanka.

Most employed women in India are in low-skilled work, such as farm and factory labour and domestic help, sectors that have been hit hard by the pandemic. The unemployment rate among women touched 15.8 per cent, compared with 12.6 per cent among male workers during three months that ended in September 2020, the latest quarter for which data was released.

Most economic activities have resumed in the country after state governments eased pandemic curbs in response to a decline in coronavirus infections from May peaks. That is likely to help create more jobs for all workers, government officials said.

India's July unemployment rate fell to 6.95 per cent from the June figure of 9.17 per cent, data from the Centre for Monitoring Indian Economy (CMIE) showed on Monday.

Many private economists have warned that the slow pace of vaccination and a slump in consumer demand could hurt growth prospects, and the economy is unlikely to attain its pre-Covid size before March 2022.

Asia's third-largest economy, which shrunk 7.3 per cent in the fiscal year ending in March, the worst recession in last seven decades, is expected to grow at 8-9 per cent year-on-year in the current fiscal year.

Employees work at a diamond jewellery manufacturing factory in Mumbai, India.

REUTERS/FILE

Labour market not tight, jobs recovery underway: Daly

Reuters

Despite complaints from US employers that workers are hard to find, there are almost 10 million people who are unemployed and more sitting on the sidelines of the labor market, said San Francisco Federal Reserve President Mary Daly, who expects many or most of them to return to work as the economy recovers.

"Myriad factors are tempering labor supply at the moment - the need to care for children, fears of Covid, generous unemployment benefits," Daly said in a blog post on Tuesday. "But there is no reason to expect those to be permanent or even highly persistent features of the labor market."

Daly made her remarks after two of the US central bank's more hawkish policymakers - Fed Governor Christopher Waller and St. Louis Fed President James Bullard - said in recent days that they believed the job market recovery is nearing completion, clearing the way for the Fed to begin reducing its support for the economy in a matter of months.

Daly didn't address the Fed's potential taper of its bond-purchasing program in her remarks.

Challenges facing SMEs during pandemic

FROM PAGE B4

This compels SMEs to take loans through informal channels at higher interest rates.

SMEs face several supply-side constraints related to insufficient infrastructural facilities and difficulties in accessing appropriate technologies and information. Due to their small scale, it is costly and challenging to solve the infrastructural-related supply-side problems if SMEs work in isolation. A cluster-based approach is, therefore, needed to solve the infrastructural deficiencies of SMEs.

The clustering of SMEs can generate external economies of scale. The whole idea of having an industrial park for SMEs, like the BSCIC industrial park, is very consistent with promoting external economies of scale.

However, the BSCIC industrial park initiative remained unsuccessful due to various reasons. The prime reason is the failure to integrate SME development policy in the broad industrial policy and generate necessary policy and programmatic supports to make the estate successful.

SMEs also have challenges related to inexperience in business, lack of technical knowledge, poor managerial skills, lack of planning skills, and market research skills.

The ongoing pandemic has had some intense impacts on the SME sector.

According to the quarterly firm-level surveys conducted by the South Asian Network on Economic Modeling (SANEM) since June 2020, SMEs in Bangladesh have been more affected than large enterprises. In particular, the impacts are devastating for micro and small enterprises.

Also, the business environment has been turning out to be more unfavourable for SMEs during the pandemic.

The survey in April 2021 also found that the SMEs were seriously lagging larger enterprises in terms of economic recovery. While, on average, by April 2021, large firms made a recovery of 77.3 per cent of their businesses to their pre-pandemic states, medium firms managed to record a 63.6 per cent recovery, and micro and small firms registered a 46.9 per cent recovery.

Large firms also received more stimulus packages than micro, small and medium firms. While 46 per cent of the surveyed large firms received stimulus packages, this rate was 30 per cent for medium firms and only 9 per cent for micro and small firms.

The adjustment costs induced by the lockdown and "strict" restrictions are very high for SMEs. Many SMEs have lost their businesses during the crisis.

Given the difficulty of obtaining loans and other forms of assistance through established means, the recovery path for many SMEs is likely to be uncertain. However, the resonant performance of SMEs is critical for the recovery of the overall economy.

While lockdown and "strict" restrictions contain the spread of the virus, they hamper the livelihood of poor people and small businesses. The economy is unable to afford the long-term suspension of economic activities. Though more than a year has passed since the start of the pandemic, there have not been any health-related area and sector-specific effective protocols, which can substitute lockdown and "strict" restrictions, to maintain economic activities.

The governments should undertake several policies and support measures to help the SME sector come out of the crisis.

Examples of these support measures include deferring income and profit tax payments, providing tax reliefs, easing debt repayment schedules and rent and utility charge payments, providing soft loans (working capital) at low-interest rates, ensuring salary subsidies for job protection, introducing temporary regulations to prevent large-scale lay-off, and allowing alternative work arrangements.

As is observed in the SANEM's survey, SMEs are least successful in availing stimulus packages compared to larger counterparts. Therefore, the barriers to access to stimulus packages by the small and medium firms need to be identified and solved.

The author is executive director of the South Asian Network on Economic Modeling.

MUTUAL TRUST BANK

Mutual Trust Bank (MTB) has recently signed a memorandum of understanding (MoU) with Brac at the bank's Gulshan 1 corporate head office in Dhaka to support people affected with Covid 19. Tushar Bhowmik, chief financial officer of Brac, and Syed Rafiqul Haq, additional managing director of MTB, signed the agreement. Syed Mahbubur Rahman, managing director and CEO of MTB, Morseda Chowdhury, director for health, nutrition and population programme of Brac, and Rais Uddin Ahmad, deputy managing director of MTB, were also present.

BP boosts payouts after profit jump

REUTERS, *London*

BP boosted its dividend and share buybacks after beating expectations with a $2.8 billion second-quarter profit powered by higher oil prices and recovering demand.

The strong results, underpinned by higher sales at petrol stations, bolster BP's plan to shift away from oil and gas to renewable and low-carbon energy in an effort to battle climate change, CEO Bernard Looney told Reuters.

"The strengthening of the balance sheet and the excess cash flow allow us to prosecute our agenda around the energy transition," Looney said.

BP shares were up 2.7 per cent by 0754 GMT versus a 1.15 per cent gain for the broader European energy index.

Rivals including Royal Dutch Shell, TotalEnergies and Chevron also boosted shareholder returns last week, reflecting a recovery from the pandemic which saw energy demand plummet.

BP increased its dividend by 4 per cent to 5.46 cents after it was halved to 5.25 cents in July 2020 for the first time in a decade.

BP also plans to repurchase $1.4 billion in shares in the coming months after generating surplus cash of $2.4 billion in the first half of the year, it said.

In April, BP launched a $500 million buyback plan to offset dilution from an employee share distribution programme.

Looney said in a statement that the measures were possible due to a stronger performance as well as "an improving outlook".

BP expects global oil demand to recover to pre-pandemic levels sometime in the second half of 2022.

BP's underlying replacement cost profit, the company's definition of net earnings, reached $2.8 billion in the second quarter, beating the $2.15 billion expected by analysts. That was up from $2.63 billion in the first quarter and marked a rebound from a loss of $6.68 billion a year earlier.

The results were also due to stronger demand for fuel, including aviation fuel, as well as higher profit margins at convenience stores in BP's petrol stations, it said.

BP's net debt fell dropped to $32.7 billion from $40.1 billion.

BP said it has increased its price forecast for benchmark Brent crude oil to 2030 to reflect expected supply constraints, while also lowering its longer-term price forecast because it expects an acceleration in the transition to renewable energy.

As a result, the company increased the pre-tax value of its assets by $3 billion. That comes after writedowns of more than $17 billion last year.

The company said at an oil price of $60 a barrel, it expects to be able to buy $1 billion in shares and boost its dividend by 4 per cent annually through 2025.

Brent oil prices rose in the second quarter to an average of $69 a barrel from $61 in the previous quarter and from $29.56 a year earlier.

REUTERS/FILE

A BP logo is seen at a petrol station in London, Britain.

IMF officially approves increased lending capacity

AFP

The board of governors of the International Monetary Fund on Monday greenlit increasing the institution's lending capacity by $650 billion, the last step in approving an initiative to boost aid to the most vulnerable countries.

"This is a historic decision – the largest SDR (Special Drawing Rights) allocation in the history of the IMF and a shot in the arm for the global economy at a time of unprecedented crisis," IMF head Kristalina Georgieva said in a statement.

"It will particularly help our most vulnerable countries struggling to cope with the impact of the Covid-19 crisis," she said. The program, which had already been approved by the IMF's executive board in mid-July, will be implemented on August 23.

Newly issued SDRs will be allocated to member countries in proportion to their IMF quota, the lender said.

Emerging and developing nations are to receive around $275 billion in total.

But "we will also continue to engage actively with our membership to identify viable options for voluntary channeling of SDRs from wealthier to poorer and more vulnerable member countries to support their pandemic recovery and achieve resilient and sustainable growth," Georgieva said.

Wealthy countries could, for example, transfer their SDRs by using those attributed to them to finance the IMF's Poverty Reduction and Growth Trust Fund, which would increase the supply of loans to low-income countries. The NGO Oxfam welcomed the IMF's decision.

The "new SDRs will bring much-needed liquidity to struggling developing countries without adding to their unsustainable

debt burdens," Nadia Daar, head of the Washington-based NGO, said in a statement.

It is "unfathomable that wealthy nations would fail to reallocate a substantial portion of their SDRs -- at least $100 billion as agreed by the G7" at a mid-June summit, she said.

It is also necessary for governments to "work transparently and together with civil society" so that SDRs are used wisely, Daar added. Created in 1969, SDRs are not a currency and have no material existence.

Their value is based on a basket of five major international currencies: the dollar, the euro, the pound, the renminbi or yuan and the yen.

Once issued, SDRs can be used either as a reserve currency that stabilizes the value of a country's domestic currency, or converted into stronger currencies to finance investments.

For poorer countries, the interest is also to obtain hard currencies without having to pay substantial interest rates.

Exports slip 11pc in July

FROM PAGE B1

The shipment of the eco-friendly fibre and its products slumped 41 per cent to $60.7 million from $103 million a year ago as the overseas sales of jute yarn, the main export item from the sector, were pummeled.

SK Nasir Uddin, chairman of the Bangladesh Jute Spinners Association, linked the fall to the declining demand after the price of raw jute hit a record Tk 5,000 per maund earlier this year.

He said the export soared in the last fiscal year mainly in terms of value, which reflected the high price of the natural fibre, not in terms of volume. The price of raw jute rose because of the hoarding and a lack of proper planning and enforcement by the authorities, he added.

"Steps should be taken so that no mill can stock jute of more than two-month of its installed capacity.

Furthermore, rules should be enforced so that none can sell wet raw jute and hoard more than 500 kilograms of jute," said Nasir Uddin, also the chairman of Akij Group.

"A coordinated effort is needed to bring about discipline in the sector."

Two other major earners—fresh and processed agricultural products as well as frozen and live fish—also suffered losses.

Agricultural products, whose takings hit $1 billion for the first time in the last fiscal year, saw a decline of 3 per cent, while frozen fish exports dropped 13 per cent.

Leather and leather goods, another major foreign currency earner, posted gains marginally.

Buoyed by the shipment in leather products and leather, the sector's total receipts were 1 per cent higher at $90.5 million in July, which was $89.9 million in the same month last year.

A hawkish Bullard sees more volatile economic 'regime' emerging in US

REUTERS, *Washington*

The coronavirus pandemic may have pushed the United States into a volatile era of stronger growth and better productivity, but higher interest rates and faster inflation as well, St. Louis Federal Reserve president James Bullard said, elaborating on why he thinks the U.S. central bank should end its crisis-era policies.

Bullard, who five years ago said he viewed the United States as mired in an epoch of low growth, low productivity and low inflation, said he is beginning to think a new "regime" may have arrived where the Fed will have to cope with faster change and more frequent shocks.

For more than a decade before the pandemic "economic growth was slow and not very volatile and inflation in tandem was slow and not very volatile," Bullard said in an interview with Reuters on Monday.

"This environment is a very different one where you have upset the global equilibrium... The reverberations will continue, and you will have a lot more volatility than you are used to."

On the plus side that could mean a run of productivity- enhancing developments that keep US growth and wages rising fast; the risk is higher inflation that could upend the Fed's current expectation that price pressures will ease on their own and allow for continued loose monetary policy.

"We will have long, lingering effects as the rest of the world recovers. You have shortages and bottlenecks everywhere. You have Europe likely to grow more quickly in coming quarters," Bullard said.

"You have industries still adjusting to the post-pandemic world - many things happening, and at a pace we are not used to."

In that setting "monetary policy needs to be more nimble."

His comments come with a specific policy recommendation: that the Fed begin trimming its $120 billion in monthly asset purchases soon, cut them to zero by early next year, and be ready to raise interest rates if inflation does threaten to remain too high for too long.

JAMES BULLARD
PRESIDENT, FEDERAL RESERVE BANK, ST LOUIS

After missing its 2 per cent target during a decade of weak inflation, the Fed wanted to encourage a period of faster price increases, but now may be at risk of getting too much of what it asked.

But his views speak to a deeper prospect: That the economy may have changed in fundamental ways over the past 18 months, leaving the Fed looking at a different landscape than when it established a new framework just about one year ago.

That framework envisions giving more weight to job growth, and allowing inflation to run above 2 per cent for a time to let employment expand.

With the economy growing faster and inflation running higher than expected, outside analysts have noted that the approach involves navigating tricky terrain - allowing unemployment to dip below what's considered a sustainable rate before it rises back to its "natural" level.

"Cooling an overheated labor market has rarely ended without recession," JPMorgan economist Michael Feroli wrote in mid-July, concluding that while the Fed's new framework wasn't destined to fail, it did in his view increase the likelihood of a "hard landing" when the central bank does have to raise interest rates.

Another privately built jetty comes to Ctg port's aid

FROM PAGE B1

Currently, the CPA can allocate a maximum of seven jetties of its general cargo berths (GCBs) to accommodate six bulk vessels. The rest 12 jetties are dedicated to handling container vessels.

The CPA is even unwilling to allow the bulk vessels transporting heavy items to use the GCB jetties as they have become old. It has not allowed scrap-carrying ships to berth at the port since July 1.

So far, eight vessels have berthed at the first jetty of Karnaphuli Dry Dock since March 30. Around 1.50 lakh tonnes of scraps have so far been unloaded.

Both jetties can accommodate two ships with a length of up to 180 metres each, said M Abdur Rashid, managing director of Karnaphuli Ship Builders.

"The port can now reduce vessels' waiting time and generate revenues using our jetties," he said.

He said the link road from the jetties to Chaturi, Anwara via Chittagong Urea Fertilizer Ltd needed to be widened and renovated to allow trucks to ply while carrying imported goods.

Giulia-1, with 33,000 tonnes of scrap, arrived at the outer anchorage in the middle of July.

After unloading around 10,000 tonnes of goods to smaller lighter vessels there, it got berthed at the second jetty of Karnaphuli Dry Dock.

The unloading from the vessel would be complete by August 8, said Asif Iftekhar Hossain, director of Everett Bangladesh (Pvt) Ltd, the local agent of the ship.

Mop up excess liquidity to curb asset bubble: CPD

FROM PAGE B1

The BB has issued more than 100 circulars related to the packages over the past year. But the regulatory gaps have not been addressed yet, the CPD said.

"This has made some of the liquidity support packages available also for banks that are weak and poorly governed. The packages were also made accessible to loan defaulters."

The BB has already asked banks to send details of the clients who got loans from the stimulus packages to determine whether the low-cost funds went to productive sectors.

The BB can rein in the injection of funds from its coffer as banks had excess liquidity, Khatun said.

"Inflation will rise if the excess liquidity cannot be used in the productive sector. On top of that, the excess liquidity has also brought down both deposit and lending rates."

The government should consider withdrawing the 2 per cash incentive on remittance as it put pressure on the excess liquidity, she said.

The robust flow of the money sent by the migrant workers has created a surplus foreign fund in the financial sector, adversely affecting the exchange rate between the taka and the US dollar.

The central bank buys US dollars from the market regularly by injecting reserve money to halt the depreciation of the US dollar against the local currency.

Rahman urged the government to roll out a bond so that remitters could invest in the instrument.

"This will allow the government to use the fund to implement infrastructure projects and control the excess liquidity."

He demanded the central bank investigate to unearth whether money launderers were bringing in money in the form of remittance after laundering them abroad.

Khondaker Golam Moazzem, research director of the CPD, said the investment in doubtful stocks in the capital market had been on the rise.

Although the economy is not in good shape because of the pandemic-induced slowdown, the key index of the Dhaka Stock Exchange has gone up to a large extent, he said.

"This means a bubble has been created. The Bangladesh Securities and Exchange Commission should beef up its monitoring."

Fahmida Khatun said a multi-stakeholder task force should be formed to monitor the stimulus packages and assess their effectiveness.

There has been concern about whether the loans under the stimulus packages are being disbursed effectively. From the outset of the unveiling of the support packages, banks have been willing to lend more to large borrowers than small borrowers, paving the way for a "K-shaped" recovery of the economy.

A K-shaped recovery takes place when different sectors experience different rates of recovery after a recession.

The design of the stimulus packages and their distribution will mainly support a "K-shaped" recovery, the think-tank said.

As a result, large firms and public-sector institutions with direct access to the stimulus packages will make some areas of the economy recover faster, but SMEs and the under-pressure middle class would be left behind, Khatun said.

She called for cash support for the poor during the pandemic to help them tackle the economic hardship.

"In addition, funds should be available for micro-entrepreneurs."

Moazzem suggested the central bank increase the grace period for stimulus packages as many borrowers were still struggling to keep their businesses afloat due to the recent wave of infections.

At least 30 per cent of the SME stimulus package should be disbursed among the new entrepreneurs, and the central bank should take measures to this end, he said.

Towfiqul Islam Khan, a senior research fellow of the CPD, said credit demand from businesses was facing sluggishness, so the private sector credit growth target might not be achieved.

The private sector credit growth stood at 8.40 in the last fiscal year against the target of 14.80 per cent.

"The economy will not get the growth momentum back riding on the recovery of the outside world. Internal recovery is the most important factor to make the economy vibrant," Khan said.

According to the CPD, governance of the banking sector would be an essential determinant for the better recovery of the economy.

"Unfortunately, reforms in the banking sector remains outside the radar of the central bank."

Khatun said the severity of high non-performing loans was currently invisible due to the measures taken to relax loan classification.

"Once loans are classified without any special considerations, the volume of NPL may rise significantly."

Beacon share prices on unusual rise

FROM PAGE B1

July 2020 to March 2021 period while the Beacon logged an EPS of Tk 3.27, shows data of Dhaka Stock Exchange (DSE).

Square Pharmaceuticals' stock price stood at Tk 222.90 yesterday whereas it is Tk 230 for the Beacon.

Square Pharmaceuticals is the market leader, be it considering product quality or market share, and it has a long continuous growth history, said Khairul Bashar Abu Taher Mohammed, CEO of MTB Capital.

But its share price was beaten by that of the Beacon, he said.

Fundamentally the Beacon has no reason to exceedSquare Pharmaceuticals' price, he said.

So, the sudden price rise of the oncologyproduct manufacturermay be for manipulation, he said, adding, "Its fast rise is alarming too."

The stock price of Beacon Pharmaceuticals rose 84 per cent in a span of one month, shows the DSE data.

Investors should be cautious about investing here, added the merchant banker.

"This company's surge is already in our radar," said Mohammad Rezaul Karim, spokesperson of the market regulator, Bangladesh Securities and Exchange Commission.

"Due to the pandemic, our investigation, and hearing process has slowed but its recent price surge is quite suspicious," he said.

"We will see whether there is any wrongdoing behind the price jump," Karim added.

Appropriate policy needed to protect intellectual property

Experts say at AmCham webinar

STAR BUSINESS REPORT

Bangladesh needs to have the appropriate policy for intellectual property (IP) protection, the legal framework of which is still incomplete, to encourage innovation and attract foreign investment, experts said yesterday.

The key challenge for protecting IP rights in the country lies in strengthening the IP system, including the establishment of a policy and legal framework, they said.

The remarks came at a virtual panel discussion titled "Intellectual Property Rights - Protection and Practices in Bangladesh" organised by the American Chamber of Commerce in Bangladesh (AmCham). They said the IP rights provide further impetus to innovation in that they require an inventor who seeks time-limited protection to publish the knowledge embodied in a product or process.

The intellectual property rights (IPR) in Bangladesh face several challenges when it comes to ensuring appropriate protection, said AmCham President Syed Ershad Ahmed.

"Relevant IPR law related statutes are in place, along with the international treaties that Bangladesh is a signatory to, which collectively form the IPR legal framework," he said.

"However, the overall importance for the IPR protection, encouraging innovation and technology transfer and the level of awareness of the stakeholders need to be strengthened," said Ahmed.

He said challenges were inevitable but everyone needs to act and work together towards a common goal for creating an effective and stronger IPR regime in Bangladesh.

It can bolster chances for attracting more foreign investments, encouraging and fostering innovations and generating new employment opportunities which will help attain GDP growth and further advancement of the economy, he said.

"We are attending a virtual discussion during the pandemic thanks to technological innovation. Protection of IP rights is key to fostering such innovation and creativity," said JoAnne Wagner, chargé d'affaires at the US embassy in Bangladesh.

She said there were allegations from big brands that the IP rights have been violated in Bangladesh and it was really harmful for the country's reputation.

The chamber laid emphasis on formal, semi-formal and informal protection practices of intellectual output to enhance awareness and education on the IPR and academic institutions and publicly funded research laboratories as the forefront of knowledge creation and innovation.

It highlighted leveraging intellectual property rights to create a niche and gain a competitive edge for start-ups and individual innovators.

The chamber suggested marking a specific period as a "Decade of Innovation" and developing a national framework for creation and protection of the IPRs commensurate with global standards.

It also recommended forming a national and sectoral innovation council to create a roadmap, and strengthening the prominent entities involved in creation, protection and commercialisation of the IPRs and the institutional framework.

Other recommendations include setting up an inter-ministerial committee on the enforcement of the IPR laws, a copyright enforcement advisory council, an intellectual property appellate board and a centrally managed national intellectual property enforcement taskforce.

It also proposed strengthening of the IP stakeholders of Bangladesh and the IPR committees.

Md Abdus Sattar, registrar at the Department of Patents, Designs and Trademarks, and John Cabeca, IP counsellor for South Asia at United States Patent and Trademark Office, also spoke.

Syed Mohammad Kamal, vice president of the AmCham and country manager of Mastercard Bangladesh, moderated the session while Barrister ABM Hamidul Mishbah, managing partner at Old Bailey Chambers and an AmCham member, was the keynote speaker.

Challenges facing SMEs during pandemic

OPINION

SELIM RAIHAN

In Bangladesh, small and medium enterprises (SMEs) have heterogeneous characteristics, which are evident from their diverse business activities. However, the discussion on SMEs has a fundamental problem related to the definition and scope.

As the term SMEs is more popular, often MSMEs are also referred to include micro-enterprises. There are also references to CSMEs to include cottage industries. These definitional anomalies create problems in undertaking the right policies and programmes for the betterment of these sectors.

Furthermore, the nature and depth of challenges faced by the cottage, micro and small enterprises are more acute than those of medium enterprises. Therefore, there is a valid argument of separating medium industries to have a focused discussion on the problems and needs of the micro, cottage, and small enterprises.

Keeping in mind the definitional debates, in the article, we will continue to use the term SMEs where small will mean micro, cottage and small enterprises.

SMEs play a critical role in the economic development of a country. Their functions concerning production, employment generation, contribution to exports and facilitating equitable income distribution are vital.

Experiences from East and Southeast Asia suggest that SMEs can significantly contribute to economic growth by stimulating competition, innovation, entrepreneurship, and skill dissemination. However, in Bangladesh, we haven't yet been able to acquire the full potential of SMEs.

There is an absence of any consistent data on the contribution of SMEs to the national economy in Bangladesh. However, according to some reasonable estimates, SMEs contribute around 25 per cent to GDP and 35-40 per cent to employment.

A prime aspect of the contribution of SMEs in the economy is their role in the different segments of the value chains of goods and services. And a large part of the activities of SMEs is informal.

Micro and small enterprises, among the SMEs, enjoy low entry barriers due to their informality and small size. However, the low entry barrier does not necessarily mean low entry and exit costs for these enterprises in proportion to their business sizes. Therefore, a pandemic like Covid-19 can permanently force many micro and small enterprises out of the business operation.

There are three areas of challenges for SMEs in Bangladesh: financing, infrastructure and skill. These problems are common to many businesses. However, these problems become more acute for SMEs, especially micro and small enterprises.

The financing challenges for SMEs are enormous. SMEs have limited access to institutional finance due to scale obstacles and market failures stemming from policy deficiencies and institutional rigidities. Therefore, formal financing processes, through the banking channels, are not readily available for them. Banks consider financing SMEs costly and risky.

The high entry barriers into the formal financing processes at affordable costs function as significant impediments to SME growth and expansion. Though, as per the instructions of the central bank, 20 per cent of all bank loans must go to SMEs, in reality, SME entrepreneurs are not getting that amount of loans.

READ MORE ON B2

The challenges faced by the cottage, micro and small enterprises are more acute than those of medium enterprises. STAR/FILE

GLOBAL BUSINESS

US company profits bigger than Wall Street's lofty targets

REUTERS, *New York*

Much stronger-than-expected profit reports from US companies in recent weeks have ratcheted up already high Wall Street forecasts on how second-quarter earnings growth will look versus last year.

Earnings are now expected to have climbed about 90 per cent in the second quarter versus analysts' forecasts of 65.4 per cent at the start of July, according to IBES data from Refinitiv, with results in so far from roughly 300 of the S&P 500 companies as of Monday morning.

Nearly 89 per cent of the reports are beating analysts' second-quarter profit estimates - the highest percentage on record, based on Refinitiv data going back to 1994.

A gangbuster second quarter is expected to mark a peak for recent US earnings growth as companies recover from the depths of last year's pandemic-induced profit collapse.

"Except for a few disappointments here and there, everybody has had solid earnings. It has been a tremendous earnings season, but it was supposed to be," said Jake Dollarhide, chief executive officer of Longbow Asset Management in Tulsa, Oklahoma.

"It will be interesting when you start getting deeper into third and fourth quarters. The market might be anticipating a bit of a trip-up."

Third-quarter earnings are estimated to climb 29.6 per cent from a year-ago quarter. Fourth-quarter earnings are seen gaining 21.2 per cent, based on Refinitiv data.

In aggregate, companies are reporting earnings 16.6 per cent above expectations, compared with an average of 20.1 per cent for the prior four quarters and an average of 3.9 per cent going back to 1994, based on Refinitiv data.

Companies that have contributed the most to the big gains in profit growth include Apple, Wells Fargo, Exxon Mobil and JPMorgan Chase. Financial companies make up half of the top 10 contributors to growth so far this season, Refinitiv data shows.

"Surprises have been positive, large and broad-based across sectors and industry groups," but "returns on results" have been mixed, UBS strategists including Keith Parker wrote in a note Monday.

The S&P 500 is roughly flat since the unofficial start of the earnings season on July 13. Among companies left to report on the quarter are many of the big US retailers including Walmart.

Lenders hatch plan for closure of coal power plants

REUTERS, *London/Melbourne*

Financial firms including British insurer Prudential, lenders Citi and HSBC and BlackRock Real Assets are devising plans to speed the closure of Asia's coal-fired power plants in order to lower the biggest source of carbon emissions, five people with knowledge of the initiative said.

The novel proposal, which is being driven by the Asian Development Bank, offers a potentially workable model and early talks with Asian governments and multilateral banks are promising, the sources told Reuters.

The group plans to create public-private partnerships to buy out the plants and wind them down within 15 years, far sooner than their usual life, giving workers time to retire or find new jobs and allowing countries to shift to renewable energy sources.

It aims to have a model ready for the COP26 climate conference which is being held in Glasgow, Scotland in November.

"The private sector has great ideas on how to address climate change and we are bridging the gap between them and the official-sector actors," ADB Vice President Ahmed M. Saeed said.

The initiative comes as commercial and development banks, under pressure from large investors, pull back from financing new power plants in order to meet climate targets.

Saeed said that a first purchase under the proposed scheme, which will comprise a mix of equity, debt and concessional finance, could come as soon as next year.

"If you can come up with an orderly way to replace those plants sooner and retire them sooner, but not overnight, that opens up a more predictable, massively bigger space for renewables," Donald Kanak, chairman of Prudential's Insurance Growth Markets, who came up with the idea, told Reuters.

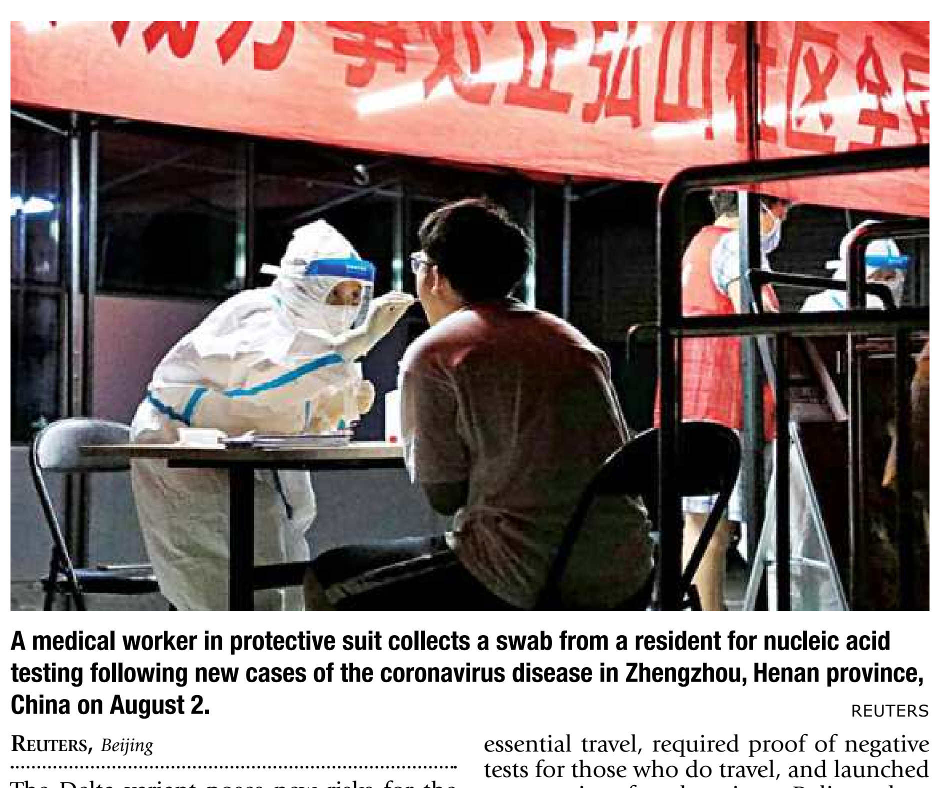
Coal-fired power accounts for about a fifth of the world's greenhouse gas emissions, making it the biggest polluter. The proposed mechanism entails raising low cost, blended finance which would be used for a carbon reduction facility, while a separate facility would fund renewable incentives. HSBC declined to comment on the plan.

Finding a way for developing nations in Asia, which has the world's newest fleet of coal plants and more under construction, to make the most of the billions already spent and switch to renewables has proved a major challenge.

REUTERS/ FILE

Smoke billows from Belchatow power station, Europe's largest coal-fired power plant, in Poland.

Delta variant bears down on China economy



A medical worker in protective suit collects a swab from a resident for nucleic acid testing following new cases of the coronavirus disease in Zhengzhou, Henan province, China on August 2. REUTERS

REUTERS, *Beijing*

The Delta variant poses new risks for the world's second-biggest economy as it spreads from the coast to China's inland cities and presents fresh challenges to authorities who have for months managed to avert any widespread outbreak of the coronavirus.

Barely a month after disrupting industry in the southern export hub of Guangdong, cases of the Delta variant were detected in Nanjing, capital of Jiangsu province on the coast. The infections were traced back to a flight from Russia.

Since Nanjing confirmed its first Delta cases on July 20, numerous cities in southern China and a few in the north including Beijing have reported infections. The tally of locally transmitted cases stood at 353 as of Sunday (August 1).

It was not immediately clear whether Nanjing was the source of all the infections, as some authorities have yet to disclose the outcome of their virus-tracing efforts.

Jiangsu, the province with the second-largest economic output after Guangdong in 2020, is by far the worst-hit, accounting for about 80 per cent of the confirmed cases.

The emergence of the variant, which is more transmissible than the original strain first detected in the city of Wuhan in late 2019, has seen the return of tough counter-epidemic measures.

Many cities have warned against non-essential travel, required proof of negative tests for those who do travel, and launched mass-testing for the virus. Policymakers are under pressure to ensure that while populations are protected, economies are not excessively strained.

China's overall economy is not invulnerable. It grew more slowly than expected in April to June, due to persistently high raw material prices, cautious consumer spending and a subdued real estate market.

"The Delta variant is the biggest test of China's zero-Covid strategy since the initial outbreak last year," said Julian Evans-Pritchard, senior China economist at Capital Economics.

"But given the country's track record in dealing with the virus so far, our assumption is that they will quash the outbreak before it gets out of control. Of course, doing so will come at some economic cost."

Yangzhou, near Nanjing, has been battling rising coronavirus cases since last Wednesday. Many factories and logistics firms in the city of 5 million have been shut as employees joined queues of people to get tested, some up to three times a week.

"We cannot deliver goods because the delivery firm informed us that they've suspended their services," said a manager of a toy factory surnamed Wang.

"In the past few days, many places have been gradually locked down. We were officially told to stop operations today, and all our employees didn't come to the factory."